
SENATE BILL No. 254

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-18.5-3; IC 6-3.5.

Synopsis: CAGIT and COIT increases for property tax relief. Allows a county to impose up to an additional 1% county adjusted gross income tax (CAGIT) rate or county option income tax (COIT) rate. Provides that the additional CAGIT or COIT rate must be allocated to additional property tax replacement credits.

Effective: Upon passage.

Kenley

January 8, 2004, read first time and referred to Committee on Finance.

C
o
p
y



Introduced

Second Regular Session 113th General Assembly (2004)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

SENATE BILL No. 254

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-18.5-3, AS AMENDED BY P.L.1-2003,
2 SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 3. (a) Except as otherwise provided in this
4 chapter and IC 6-3.5-8-12, a civil taxing unit that is treated as not being
5 located in an adopting county under section 4 of this chapter may not
6 impose an ad valorem property tax levy for an ensuing calendar year
7 that exceeds the amount determined in the last STEP of the following
8 STEPS:
9 STEP ONE: Add the civil taxing unit's maximum permissible ad
10 valorem property tax levy for the preceding calendar year to the
11 part of the civil taxing unit's certified share, if any, that was used
12 to reduce the civil taxing unit's ad valorem property tax levy under
13 STEP EIGHT of subsection (b) for that preceding calendar year.
14 STEP TWO: Multiply the amount determined in STEP ONE by
15 the amount determined in the last STEP of section 2(b) of this
16 chapter.
17 STEP THREE: Determine the lesser of one and fifteen hundredths



C
o
p
y

(1.15) or the quotient (rounded to the nearest ten-thousandth (0.0001)), of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year, divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

(b) Except as otherwise provided in this chapter and IC 6-3.5-8-12, a civil taxing unit that is treated as being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of this subsection for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in the last STEP of section 2(b) of this chapter.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by

C
O
P
Y



the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

STEP EIGHT: Subtract the amount determined under STEP FIVE of subsection (e) from the amount determined under STEP SEVEN of this subsection.

(c) If a civil taxing unit in the immediately preceding calendar year provided an area outside its boundaries with services on a contractual basis and in the ensuing calendar year that area has been annexed by the civil taxing unit, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals the amount paid by the annexed area during the immediately preceding calendar year for services that the civil taxing unit must provide to that area during the ensuing calendar year as a result of the annexation. In all other cases, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals zero (0).

(d) This subsection applies only to civil taxing units located in a county having a county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) of **at least** one percent (1%) as of January 1 of the ensuing calendar year. For each civil taxing unit, the amount to be added to the amount determined in subsection (e), STEP FOUR, is determined using the following formula:

STEP ONE: Multiply the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year by two percent (2%).

STEP TWO: For the determination year, the amount to be used as the STEP TWO amount is the amount determined in subsection (f) for the civil taxing unit. For each year following the determination year the STEP TWO amount is the lesser of:

(A) the amount determined in STEP ONE; or

(B) the amount determined in subsection (f) for the civil taxing unit.

STEP THREE: Determine the greater of:

(A) zero (0); or

(B) the civil taxing unit's certified share for the ensuing calendar year minus the greater of:

(i) the civil taxing unit's certified share for the calendar year that immediately precedes the ensuing calendar year; or

(ii) the civil taxing unit's base year certified share.

C
o
p
y



STEP FOUR: Determine the greater of:

(A) zero (0); or

(B) the amount determined in STEP TWO minus the amount determined in STEP THREE.

Add the amount determined in STEP FOUR to the amount determined in subsection (e), STEP THREE, as provided in subsection (e), STEP FOUR.

(e) For each civil taxing unit, the amount to be subtracted under subsection (b), STEP EIGHT, is determined using the following formula:

STEP ONE: Determine the lesser of the civil taxing unit's base year certified share for the ensuing calendar year, as determined under section 5 of this chapter, or the civil taxing unit's certified share for the ensuing calendar year.

STEP TWO: Determine the greater of:

(A) zero (0); or

(B) the remainder of:

(i) the amount of federal revenue sharing money that was received by the civil taxing unit in 1985; minus

(ii) the amount of federal revenue sharing money that will be received by the civil taxing unit in the year preceding the ensuing calendar year.

STEP THREE: Determine the lesser of:

(A) the amount determined in STEP TWO; or

(B) the amount determined in subsection (f) for the civil taxing unit.

STEP FOUR: Add the amount determined in subsection (d), STEP FOUR, to the amount determined in STEP THREE.

STEP FIVE: Subtract the amount determined in STEP FOUR from the amount determined in STEP ONE.

(f) As used in this section, a taxing unit's "determination year" means the latest of:

(1) calendar year 1987, if the taxing unit is treated as being located in an adopting county for calendar year 1987 under section 4 of this chapter;

(2) the taxing unit's base year, as defined in section 5 of this chapter, if the taxing unit is treated as not being located in an adopting county for calendar year 1987 under section 4 of this chapter; or

(3) the ensuing calendar year following the first year that the taxing unit is located in a county that has a county adjusted gross income tax rate of more than one-half percent (0.5%) on July 1 of

C
o
p
y



that year.

The amount to be used in subsections (d) and (e) for a taxing unit depends upon the taxing unit's certified share for the ensuing calendar year, the taxing unit's determination year, and the county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) that is in effect in the taxing unit's county on July 1 of the year preceding the ensuing calendar year. For the determination year and the ensuing calendar years following the taxing unit's determination year, the amount is the taxing unit's certified share for the ensuing calendar year multiplied by the appropriate factor prescribed in the following table:

COUNTIES WITH A TAX RATE OF 1/2%

	Subsection (e)
Year	Factor
For the determination year and each ensuing calendar year following the determination year	0

COUNTIES WITH A TAX RATE OF 3/4%

	Subsection (e)
Year	Factor
For the determination year and each ensuing calendar year following the determination year	1/2

COUNTIES WITH A TAX RATE OF 1.0% **OR MORE**

	Subsection (d)	Subsection (e)
Year	Factor	Factor
For the determination year	1/6	1/3
For the ensuing calendar year following the determination year	1/4	1/3
For the ensuing calendar year following the determination year by two (2) years	1/3	1/3

SECTION 2. IC 6-3.5-1.1-2, AS AMENDED BY P.L.42-2003, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) The county council of any county in which the county option income tax will not be in effect on July 1 of a year under an ordinance adopted during a previous calendar year may impose the county adjusted gross income tax on the adjusted gross income of county taxpayers of its county effective July 1 of that year.

(b) Except as provided in section 2.5, 2.7, 2.8, 2.9, 3.3, 3.5, or 3.6 of this chapter, the county adjusted gross income tax may be imposed at a rate of one-half of one percent (0.5%), three-fourths of one percent (0.75%), ~~or one percent (1%),~~ **one and one-quarter percent (1.25%), one and one-half percent (1.50%), one and three-quarters percent**

C
o
p
y



(1.75%), or two percent (2%) on the adjusted gross income of resident county taxpayers of the county. Any county imposing the county adjusted gross income tax must impose the tax on the nonresident county taxpayers at a rate of one-fourth of one percent (0.25%) on their adjusted gross income. If the county council elects to decrease the county adjusted gross income tax, the county council may decrease the county adjusted gross income tax rate in increments of one-tenth of one percent (0.1%).

(c) To impose the county adjusted gross income tax, the county council must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance must substantially state the following:

"The _____ County Council imposes the county adjusted gross income tax on the county taxpayers of _____ County. The county adjusted gross income tax is imposed at a rate of _____ percent (____%) on the resident county taxpayers of the county and one-fourth of one percent (0.25%) on the nonresident county taxpayers of the county. This tax takes effect July 1 of this year.".

(d) Any ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.

(e) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

(f) If the county adjusted gross income tax had previously been adopted by a county under IC 6-3.5-1 (before its repeal on March 15, 1983) and that tax was in effect at the time of the enactment of this chapter, then the county adjusted gross income tax continues in that county at the rates in effect at the time of enactment until the rates are modified or the tax is rescinded in the manner prescribed by this chapter. If a county's adjusted gross income tax is continued under this subsection, then the tax shall be treated as if it had been imposed under this chapter and is subject to rescission or reduction as authorized in this chapter.

SECTION 3. IC 6-3.5-1.1-2.5, AS AMENDED BY P.L.90-2002, SECTION 289, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2.5. (a) This section applies only to a county having a population of more than forty-one thousand (41,000) but less than forty-three thousand (43,000).

(b) The county council of a county described in subsection (a) may, by ordinance, determine that additional county adjusted gross income tax revenue is needed in the county to fund the operation and maintenance of a jail and juvenile detention center opened after July 1, 1998.

C
o
p
y



(c) Notwithstanding section 2 of this chapter, if the county council adopts an ordinance under subsection (b), the county council may impose the county adjusted gross income tax at a rate of ~~one two~~ and one-tenth percent (~~1.1%~~) **(2.1%)** on adjusted gross income. However, a county may impose the county adjusted gross income tax at a rate of ~~one two~~ and one-tenth percent (~~1.1%~~) **(2.1%)** for only eight (8) years. After the county has imposed the county adjusted gross income tax at a rate of ~~one two~~ and one-tenth percent (~~1.1%~~) **(2.1%)** for eight (8) years, the rate is reduced to ~~one two~~ percent (~~1%~~) **(2%)**. If the county council imposes the county adjusted gross income tax at a rate of ~~one two~~ and one-tenth percent (~~1.1%~~) **(2.1%)**, the county council may decrease the rate or rescind the tax in the manner provided under this chapter.

(d) If a county imposes the county adjusted gross income tax at a rate of ~~one two~~ and one-tenth percent (~~1.1%~~) **(2.1%)** under this section, the revenue derived from a tax rate of one-tenth percent (0.1%) on adjusted gross income:

(1) shall be paid to the county treasurer;

(2) may be used only to pay the costs of operating a jail and juvenile detention center opened after July 1, 1998; and

(3) may not be considered by the department of local government finance in determining the county's maximum permissible property tax levy limit under IC 6-1.1-18.5.

SECTION 4. IC 6-3.5-1.1-3.5, AS AMENDED BY P.L.90-2002, SECTION 291, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3.5. (a) This section applies only to a county having a population of more than thirteen thousand five hundred (13,500) but less than fourteen thousand (14,000).

(b) The county council of a county described in subsection (a) may, by ordinance, determine that additional county adjusted gross income tax revenue is needed in the county to fund the operation and maintenance of a jail and justice center.

(c) Notwithstanding section 2 of this chapter, if the county council adopts an ordinance under subsection (b), the county council may impose the county adjusted gross income tax at a rate of ~~one two~~ and three-tenths percent (~~1.3%~~) **(2.3%)** on adjusted gross income. However, a county may impose the county adjusted gross income tax at a rate of ~~one two~~ and three-tenths percent (~~1.3%~~) **(2.3%)** for only eight (8) years. After the county has imposed the county adjusted gross income tax at a rate of ~~one two~~ and three-tenths percent (~~1.3%~~) **(2.3%)** for eight (8) years, the rate is reduced to ~~one two~~ percent (~~1%~~) **(2%)**. If the county council imposes the county adjusted gross income tax at

C
o
p
y



a rate of ~~one two~~ and three-tenths percent (~~1.3%~~), **(2.3%)**, the county council may decrease the rate or rescind the tax in the manner provided under this chapter.

(d) If a county imposes the county adjusted gross income tax at a rate of ~~one two~~ and three-tenths percent (~~1.3%~~) **(2.3%)** under this section, the revenue derived from a tax rate of three-tenths percent (0.3%) on adjusted gross income:

(1) shall be paid to the county treasurer;

(2) may be used only to pay the costs of operating and maintaining a jail and justice center; and

(3) may not be considered by the department of local government finance under any provision of IC 6-1.1-18.5, including the determination of the county's maximum permissible property tax levy.

(e) Notwithstanding section 3 of this chapter, the county fiscal body may adopt an ordinance under this section before June 1.

SECTION 5. IC 6-3.5-1.1-11, AS AMENDED BY P.L.267-2003, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11. (a) Except for:

(1) revenue that must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter;

(2) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, or equipping facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.8 of this chapter;

(3) revenue that must be used to pay the costs of construction, improvement, renovation, or remodeling of a jail and related buildings and parking structures under section 2.7, 2.9, or 3.3 of this chapter;

(4) revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; ~~or~~

(5) revenue that must be used to pay the costs of constructing, acquiring, improving, renovating, or equipping a county courthouse under section 3.6 of this chapter; ~~or~~

(6) revenue that is dedicated to property tax replacement credits by the county under section 11.5 of this chapter;

the certified distribution received by a county treasurer shall, in the manner prescribed in this section, be allocated, distributed, and used by the civil taxing units and school corporations of the county as

C
o
p
y



certified shares and property tax replacement credits.

(b) Before August 10 of each calendar year, each county auditor shall determine the part of the certified distribution for the next succeeding calendar year that will be allocated as property tax replacement credits and the part that will be allocated as certified shares. The percentage of a certified distribution that will be allocated as property tax replacement credits or as certified shares depends upon the county adjusted gross income tax rate for resident county taxpayers in effect on August 1 of the calendar year that precedes the year in which the certified distribution will be received by two (2) years. The percentages **for that part of the certified distribution that is attributable to part of a rate that is not more than one percent (1%)** are set forth in the following table:

COUNTY	PROPERTY TAX	
ADJUSTED GROSS INCOME TAX RATE	REPLACEMENT CREDITS	CERTIFIED SHARES
0.5%	50%	50%
0.75%	33 1/3%	66 2/3%
1%	25%	75%

One hundred percent (100%) of the amount of the certified distribution that is attributable to the amount raised by that part of a rate that is greater than one percent (1%) shall be dedicated to property tax replacement credits by the county under section 11.5 of this chapter.

(c) The part of a certified distribution that constitutes property tax replacement credits shall be distributed as provided under sections 12, 13, and 14 of this chapter.

(d) The part of a certified distribution that constitutes certified shares shall be distributed as provided by section 15 of this chapter.

SECTION 6. IC 6-3.5-1.1-11.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 11.5. Except as otherwise provided in this chapter, if a county council adopts an ordinance to impose a tax rate under this chapter that is greater than one percent (1%), the revenue attributable to the amount raised by that part of a rate that is greater than one percent (1%) shall be used to provide additional property tax replacement credits under this chapter. The additional property tax replacement credits shall be allocated and distributed to civil taxing units and school corporations in the same manner that certified distributions used as property tax replacement credits are allocated by the county**

C
o
p
y



auditor under this chapter among the civil taxing units and school corporations of the county.

SECTION 7. IC 6-3.5-6-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) If on January 1 of a calendar year the county option income tax rate in effect for resident county taxpayers equals six tenths of one percent (0.6%), then the county income tax council of that county may after January 1 and before April 1 of that year pass an ordinance to increase its tax rate for resident county taxpayers. If a county income tax council passes an ordinance under this section, its county option income tax rate for resident county taxpayers increases by one tenth of one percent (0.1%) each succeeding July 1 until its rate reaches a maximum of one percent (1%).

(b) **This subsection applies to a county that has a county option income tax rate equal to one percent (1%) on January 1 of a calendar year. The county income tax council of that county may after January 1 and before April 1 of that year pass an ordinance to increase its tax rate for resident county taxpayers. If a county income tax council passes an ordinance under this section, its county option income tax rate for resident county taxpayers may be increased to not more than two percent (2%) in an increment of two-tenths of one percent (0.2%). One hundred percent (100%) of the amount of the certified distribution that is attributable to the amount raised by that part of a rate that is greater than one percent (1%) shall be allocated for additional property tax replacement credits under sections 27, 28, and 29 of this chapter.**

(c) The auditor of the county shall record any vote taken on an ordinance proposed under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

SECTION 8. IC 6-3.5-6-18, AS AMENDED BY P.L.255-2003, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 18. (a) The revenue a county auditor receives under this chapter shall be used to:

- (1) replace the amount, if any, of property tax revenue lost due to the allowance of an increased homestead credit within the county;
- (2) fund the operation of a public communications system and computer facilities district as provided in an election, if any, made by the county fiscal body under IC 36-8-15-19(b);
- (3) fund the operation of a public transportation corporation as provided in an election, if any, made by the county fiscal body under IC 36-9-4-42;
- (4) make payments permitted under IC 36-7-15.1-17.5;

C
o
p
y



- 1 (5) make payments permitted under subsection (i); ~~and~~
 2 (6) make distributions of distributive shares to the civil taxing
 3 units of a county; **and**
 4 **(7) replace the amount, if any, of property tax revenue lost**
 5 **due to the allowance of additional property tax replacement**
 6 **credits under sections 27, 28, and 29 of this chapter.**

7 (b) The county auditor shall retain from the payments of the county's
 8 certified distribution, an amount equal to the revenue lost, if any, due
 9 to the increase of the homestead credit **or additional property tax**
 10 **replacement credits** within the county. This money shall be
 11 distributed to the civil taxing units and school corporations of the
 12 county as though they were property tax collections and in such a
 13 manner that no civil taxing unit or school corporation shall suffer a net
 14 revenue loss due to the allowance of an increased homestead credit **or**
 15 **additional property tax replacement credits.**

16 (c) The county auditor shall retain the amount, if any, specified by
 17 the county fiscal body for a particular calendar year under subsection
 18 (i), IC 36-7-15.1-17.5, IC 36-8-15-19(b), and IC 36-9-4-42 from the
 19 county's certified distribution for that same calendar year. The county
 20 auditor shall distribute amounts retained under this subsection to the
 21 county.

22 (d) All certified distribution revenues that are not retained and
 23 distributed under subsections (b) and (c) shall be distributed to the civil
 24 taxing units of the county as distributive shares.

25 (e) The amount of distributive shares that each civil taxing unit in
 26 a county is entitled to receive during a month equals the product of the
 27 following:

- 28 (1) The amount of revenue that is to be distributed as distributive
 29 shares during that month; multiplied by
 30 (2) A fraction. The numerator of the fraction equals the total
 31 property taxes that are first due and payable to the civil taxing
 32 unit during the calendar year in which the month falls, plus, for a
 33 county, an amount equal to the property taxes imposed by the
 34 county in 1999 for the county's welfare fund and welfare
 35 administration fund. The denominator of the fraction equals the
 36 sum of the total property taxes that are first due and payable to all
 37 civil taxing units of the county during the calendar year in which
 38 the month falls, plus an amount equal to the property taxes
 39 imposed by the county in 1999 for the county's welfare fund and
 40 welfare administration fund.

41 (f) The department of local government finance shall provide each
 42 county auditor with the fractional amount of distributive shares that

C
o
p
y



each civil taxing unit in the auditor's county is entitled to receive monthly under this section.

(g) Notwithstanding subsection (e), if a civil taxing unit of an adopting county does not impose a property tax levy that is first due and payable in a calendar year in which distributive shares are being distributed under this section, that civil taxing unit is entitled to receive a part of the revenue to be distributed as distributive shares under this section within the county. The fractional amount such a civil taxing unit is entitled to receive each month during that calendar year equals the product of the following:

(1) The amount to be distributed as distributive shares during that month; multiplied by

(2) A fraction. The numerator of the fraction equals the budget of that civil taxing unit for that calendar year. The denominator of the fraction equals the aggregate budgets of all civil taxing units of that county for that calendar year.

(h) If for a calendar year a civil taxing unit is allocated a part of a county's distributive shares by subsection (g), then the formula used in subsection (e) to determine all other civil taxing units' distributive shares shall be changed each month for that same year by reducing the amount to be distributed as distributive shares under subsection (e) by the amount of distributive shares allocated under subsection (g) for that same month. The department of local government finance shall make any adjustments required by this subsection and provide them to the appropriate county auditors.

(i) Notwithstanding any other law, a county fiscal body may pledge revenues received under this chapter to the payment of bonds or lease rentals to finance a qualified economic development tax project under IC 36-7-27 in that county or in any other county if the county fiscal body determines that the project will promote significant opportunities for the gainful employment or retention of employment of the county's residents.

SECTION 9. IC 6-3.5-6-27 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 27. (a) This section applies in a county for a calendar year in which on January 1 the county option income tax rate exceeds one percent (1%).**

(b) The part of a county's certified distribution for a calendar year that is to be used as property tax replacement credits shall be allocated by the county auditor among the civil taxing units and school corporations of the county.

(c) Except as provided in section 28 of this chapter, the amount

C
o
p
y



1 of property tax replacement credits that each civil taxing unit and
 2 school corporation in a county is entitled to receive during a
 3 calendar year equals the product of:

4 (1) the part of the county's certified distribution that is
 5 dedicated to providing property tax replacement credits for
 6 that same calendar year; multiplied by

7 (2) the amount determined under STEP TWO of the following
 8 formula:

9 STEP ONE: Determine the sum of the total property taxes
 10 being collected by the civil taxing unit or school
 11 corporation during that calendar year.

12 STEP TWO: Determine the sum of the total property taxes
 13 being collected by all civil taxing units and school
 14 corporations in the county for the same calendar year.

15 (d) The department of local government finance shall provide
 16 each county auditor with the amount of property tax replacement
 17 credits that each civil taxing unit and school corporation in the
 18 auditor's county is entitled to receive. The county auditor shall
 19 then certify to each civil taxing unit and school corporation the
 20 amount of property tax replacement credits it is entitled to receive
 21 (after adjustments made under section 28 of this chapter) during
 22 that calendar year. The county auditor shall also certify these
 23 distributions to the county treasurer.

24 SECTION 10. IC 6-3.5-6-28 IS ADDED TO THE INDIANA CODE
 25 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 26 UPON PASSAGE]: Sec. 28. (a) This section applies in a county for
 27 a calendar year in which on January 1 the county option income
 28 tax rate exceeds one percent (1%).

29 (b) If a civil taxing unit or school corporation of an adopting
 30 county does not impose a property tax levy that is first due and
 31 payable in a calendar year in which property tax replacement
 32 credits are being distributed, that civil taxing unit or school
 33 corporation is entitled to receive a proportion of the property tax
 34 replacement credits to be distributed within the county. The
 35 amount such a civil taxing unit or school corporation is entitled to
 36 receive during that calendar year equals the product of:

37 (1) the part of the county's certified distribution that is to be
 38 used to provide property tax replacement credits during that
 39 calendar year; multiplied by

40 (2) a fraction:

41 (A) the numerator of which equals the budget of that civil
 42 taxing unit or school corporation for that calendar year;

C
o
p
y



1 and

2 (B) the denominator of which equals the aggregate budgets
3 of all civil taxing units and school corporations of that
4 county for that calendar year.

5 (c) If for a calendar year a civil taxing unit or school
6 corporation is allocated a proportion of a county's property tax
7 replacement credits by this section, the formula used in section 27
8 of this chapter to determine other civil taxing units' and school
9 corporations' property tax replacement credits shall be changed
10 for that same year by reducing the amount dedicated to providing
11 property tax replacement credits by the amount of property tax
12 replacement credits allocated under this section for that same
13 calendar year. The department of local government finance shall
14 make the adjustments required by this section and provide them to
15 the appropriate county auditors.

16 SECTION 11. IC 6-3.5-6-29 IS ADDED TO THE INDIANA CODE
17 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
18 UPON PASSAGE]: Sec. 29. (a) This section applies in a county for
19 a calendar year in which on January 1 the county option income
20 tax rate exceeds one percent (1%).

21 (b) In determining the amount of property tax replacement
22 credits civil taxing units and school corporations of a county are
23 entitled to receive during a calendar year, the department of local
24 government finance shall consider only property taxes imposed on
25 tangible property that was assessed in that county.

26 (c) If a civil taxing unit or a school corporation is located in
27 more than one (1) county and receives property tax replacement
28 credits from one (1) or more of the counties, the property tax
29 replacement credits received from each county shall be used only
30 to reduce the property tax rates that are imposed within the county
31 that distributed the property tax replacement credits.

32 (d) A civil taxing unit shall treat the property tax replacement
33 credits that it receives or is to receive during a particular calendar
34 year as a part of its property tax levy for that same calendar year
35 for purposes of fixing its budget and for purposes of the property
36 tax levy limits imposed by IC 6-1.1-18.5.

37 (e) A school corporation shall treat the property tax
38 replacement credits that the school corporation receives or is to
39 receive during a particular calendar year as a part of its property
40 tax levy for its funds in proportion to the levy for each of these
41 funds for that same calendar year for purposes of fixing its budget
42 and for purposes of the property tax levy limits imposed by

C
o
p
y



IC 6-1.1-19. A school corporation shall allocate the property tax replacement credits described in this subsection to all funds in proportion to the levy for each fund.

SECTION 12. IC 6-3.5-7-5, AS AMENDED BY p.l.42-2003, SECTION 5, AND AS AMENDED BY P.L.224-2003, SECTION 254, IS AMENDED AND CORRECTED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Except as provided in subsection (c), the county economic development income tax may be imposed on the adjusted gross income of county taxpayers. The entity that may impose the tax is:

- (1) the county income tax council (as defined in IC 6-3.5-6-1) if the county option income tax is in effect on January 1 of the year the county economic development income tax is imposed;
- (2) the county council if the county adjusted gross income tax is in effect on January 1 of the year the county economic development tax is imposed; or
- (3) the county income tax council or the county council, whichever acts first, for a county not covered by subdivision (1) or (2).

To impose the county economic development income tax, a county income tax council shall use the procedures set forth in IC 6-3.5-6 concerning the imposition of the county option income tax.

(b) Except as provided in subsections (c), (g), (k), ~~and~~ (p), and (r), the county economic development income tax may be imposed at a rate of:

- (1) one-tenth percent (0.1%);
- (2) two-tenths percent (0.2%);
- (3) twenty-five hundredths percent (0.25%);
- (4) three-tenths percent (0.3%);
- (5) thirty-five hundredths percent (0.35%);
- (6) four-tenths percent (0.4%);
- (7) forty-five hundredths percent (0.45%); or
- (8) five-tenths percent (0.5%);

on the adjusted gross income of county taxpayers.

(c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o), or (p), the county economic development income tax rate plus the county adjusted gross income tax rate, if any, that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%). Except as provided in subsection (g) or (p), the county economic development tax rate plus the county option income tax rate, if any, that are in effect on January 1 of a year may not exceed one percent (1%). **That part of a county adjusted gross income tax rate**

**C
o
p
y**



or county option income tax rate that exceeds one percent (1%) and is used for additional property tax replacement credits may not be considered in calculating a maximum combined rate under this subsection.

(d) To impose, increase, decrease, or rescind the county economic development income tax, the appropriate body must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance to impose the tax must substantially state the following:

"The _____ County _____ imposes the county economic development income tax on the county taxpayers of _____ County. The county economic development income tax is imposed at a rate of _____ percent (____%) on the county taxpayers of the county. This tax takes effect July 1 of this year."

(e) Any ordinance adopted under this chapter takes effect July 1 of the year the ordinance is adopted.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this chapter and shall, not more than ten (10) days after the vote, send a certified copy of the results to the commissioner of the department by certified mail.

(g) This subsection applies to a county having a population of more than one hundred forty-eight thousand (148,000) but less than one hundred seventy thousand (170,000). Except as provided in subsection (p), in addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of:

(A) fifteen-hundredths percent (0.15%);

(B) two-tenths percent (0.2%); or

(C) twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county income tax council makes a determination to impose rates under this subsection and section 22 of this chapter.

(h) For a county having a population of more than forty-one thousand (41,000) but less than forty-three thousand (43,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and thirty-five hundredths percent (1.35%) if the county has imposed the county adjusted gross income tax at a rate of one and one-tenth percent (1.1%) under IC 6-3.5-1.1-2.5.

(i) For a county having a population of more than thirteen thousand

C
o
p
y



1 five hundred (13,500) but less than fourteen thousand (14,000), except
 2 as provided in subsection (p), the county economic development
 3 income tax rate plus the county adjusted gross income tax rate that are
 4 in effect on January 1 of a year may not exceed one and fifty-five
 5 hundredths percent (1.55%).

6 (j) For a county having a population of more than seventy-one
 7 thousand (71,000) but less than seventy-one thousand four hundred
 8 (71,400), except as provided in subsection (p), the county economic
 9 development income tax rate plus the county adjusted gross income tax
 10 rate that are in effect on January 1 of a year may not exceed one and
 11 five-tenths percent (1.5%).

12 (k) This subsection applies to a county having a population of more
 13 than twenty-seven thousand four hundred (27,400) but less than
 14 twenty-seven thousand five hundred (27,500). Except as provided in
 15 subsection (p), in addition to the rates permitted under subsection (b):

16 (1) the county economic development income tax may be imposed
 17 at a rate of twenty-five hundredths percent (0.25%); and

18 (2) the sum of the county economic development income tax rate
 19 and the county adjusted gross income tax rate that are in effect on
 20 January 1 of a year may not exceed one and five-tenths percent
 21 (1.5%);

22 if the county council makes a determination to impose rates under this
 23 subsection and section 22.5 of this chapter.

24 (l) For a county having a population of more than twenty-nine
 25 thousand (29,000) but less than thirty thousand (30,000), except as
 26 provided in subsection (p), the county economic development income
 27 tax rate plus the county adjusted gross income tax rate that are in effect
 28 on January 1 of a year may not exceed one and five-tenths percent
 29 (1.5%).

30 (m) For:

31 (1) a county having a population of more than one hundred
 32 eighty-two thousand seven hundred ninety (182,790) but less than
 33 two hundred thousand (200,000); or

34 (2) a county having a population of more than forty-five thousand
 35 (45,000) but less than forty-five thousand nine hundred (45,900);
 36 except as provided in subsection (p), the county economic development
 37 income tax rate plus the county adjusted gross income tax rate that are
 38 in effect on January 1 of a year may not exceed one and five-tenths
 39 percent (1.5%).

40 (n) For a county having a population of more than six thousand
 41 (6,000) but less than eight thousand (8,000), except as provided in
 42 subsection (p), the county economic development income tax rate plus

**c
o
p
y**



the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(o) This subsection applies to a county having a population of more than thirty-nine thousand (39,000) but less than thirty-nine thousand six hundred (39,600). Except as provided in subsection (p), in addition to the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate and:

(A) the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%); or

(B) the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%);

if the county council makes a determination to impose rates under this subsection and section 24 of this chapter.

(p) In addition:

(1) the county economic development income tax may be imposed at a rate that exceeds by not more than twenty-five hundredths percent (0.25%) the maximum rate that would otherwise apply under this section; and

(2) the:

(A) county economic development income tax; and

(B) county option income tax or county adjusted gross income tax;

may be imposed at combined rates that exceed by not more than twenty-five hundredths percent (0.25%) the maximum combined rates that would otherwise apply under this section.

However, the additional rate imposed under this subsection may not exceed the amount necessary to mitigate the increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting from the deduction of the assessed value of inventory in the county under IC 6-1.1-12-41 or IC 6-1.1-12-42.

(q) If the county economic development income tax is imposed as authorized under subsection (p) at a rate that exceeds the maximum rate that would otherwise apply under this section, the certified distribution must be used for the purpose provided in section 25(e) or 26 of this chapter to the extent that the certified distribution results from the difference between:

(1) the actual county economic development tax rate; and

C
o
p
y



(2) the maximum rate that would otherwise apply under this section.

(r) This subsection applies only to a county described in section 27 of this chapter. Except as provided in subsection (p), in addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county council makes a determination to impose rates under this subsection and section 27 of this chapter.

~~(r)~~ **(s)** Except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%) if the county has imposed the county adjusted gross income tax under IC 6-3.5-1.1-3.3.

SECTION 13. [EFFECTIVE UPON PASSAGE] (a) Notwithstanding IC 6-3.5-1.1-3, a county council may adopt an ordinance before May 1, 2004, to increase the county adjusted gross income tax rate, effective July 1, 2004, to a rate of more than one percent (1%) for property tax replacement purposes.

(b) Notwithstanding IC 6-3.5-6-9, as amended by this act, a county income tax council may adopt an ordinance before May 1, 2004, to increase the county option income tax rate, effective July 1, 2004, to a rate of more than one percent (1%) for property tax replacement purposes.

SECTION 14. An emergency is declared for this act.

**C
o
p
y**

